

Every year, hundreds of thousands of disabled military veterans pay a “Disabled Veterans Tax” that effectively forces them to give up their disability benefits from the Department of Veterans Affairs.

Under current law, veterans with 20 years of military service are entitled to receive retirement benefits from the Department of Defense. In addition, veterans who incurred service-related disabilities are entitled to receive disability compensation benefits from the Department of Veterans Affairs. If a veteran has both 20 years of military service and a service-related disability, however, the veteran’s military retirement benefit is reduced on a dollar-for-dollar basis by the amount the veteran receives in disability compensation. This reduction in the veteran’s retirement benefits is commonly known as the “Disabled Veterans Tax.” Effectively, the disability compensation received by these veterans is taxed at a 100% rate.

Congress passed legislation to address this problem in 2003. At the time, President Bush claimed that the legislation “resolved the issue,” while Republican leaders in the House claimed that the legislation “marked an end” to the Disabled Veterans Tax. Despite these promises, however, hundreds of thousands of veterans nationwide continue to pay the Disabled Veterans Tax.

Over 160 Democrats have cosponsored the New G.I. Bill of Rights for the 21st Century Act (H.R. 2131). This legislation would, on January 1, 2006, eliminate the Disabled Veterans Tax for all retired veterans with at least 20 years of service. Passage of H.R. 2131 would result in a rapid increase in benefits for hundreds of thousands of veterans. **Documents and Links**

- [Sample Report: Massachusetts's 6th District for Rep. John F. Tierney](#)
- [Sample Report: Hawaii's 2nd District for Rep. Ed Case](#)
- [State-by-State Data on Disabled Veterans Tax](#)